

## Groundwork for further growth of TMSEF

### Equity Finance at Bank Eskhata

In December 2005 Bank Eskhata concluded an agreement with the EBRD and Shore Cap to receive additional resources in order to increase the bank's equity. As it was agreed with both parties the total amount of shares bought by both institutions from Bank Eskhata amounts to USD 1.8 m. This

equity investment will enable the bank to meet the National Bank of Tajikistan requirements for minimum equity of USD 5.0 m by 1 January 2006. As a result of this investment, Bank Eskhata has increased its equity to USD 5.0 m.

Bank Eskhata also signed two agreements with EBRD and Shore Cap for additional on-lending funds, whereby EBRD will invest an addi-

tional USD 2.5 m and Shore Cap USD 0.5 m, to enable Bank Eskhata to maintain momentum in its lending under the TMSEF programme. The disbursement of these resources is expected in the first and second quarters of 2006.

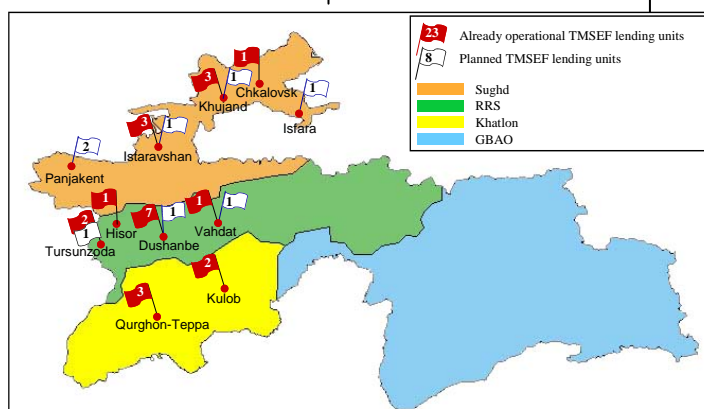
Bank Eskhata was one of the first partner banks to join TMSEF in 2003. To date, it has disbursed more than 3,000 loans amounting to more than USD 9 m. With the additional resources Bank Eskhata will be able to further develop its successful micro- and small business financing under TMSEF.

### Introduction of credit lines to TMSEF

TMSEF has introduced

credit lines as a new product that brings many advantages for MSE borrowers as well as for the partner banks. Credit lines are similar to an overdraft facility and enable the borrower to use credit funds several times as long as the aggregate outstanding balance does not go over the agreed limit for the credit line. Clients with a good credit history and a stable, developing business can take credit lines for up to 48 months. This approach enables the banks to create long-term relationships with potential clients and it reduces transaction costs for borrowers.

In a pilot phase, Bank Eskhata in Khujand disbursed five credit lines for an aggregate amount of USD 150,000, each had a maturity of 36 months. Due to the success of this trial phase, credit lines will very soon be introduced to all TMSEF partner banks.



## MAJOR JANUARY PORTFOLIO STATISTICS

Outstanding Portfolio in USD:	<b>\$ 8,431,496</b>
Number of Loans below \$1,000:	<b>35%</b>
Number of Loans below \$5,000:	<b>84%</b>
Loans to Clients New to the Banking Sector:	<b>83%</b>
# Loans to Female Entrepreneurs:	<b>44%</b>
Share of Dushanbe Portfolio:	<b>41%</b>
Share of Sogd Portfolio:	<b>34%</b>
Share of Khatlon Portfolio:	<b>10%</b>
Share of RRS Portfolio:	<b>15%</b>
MSE Lending Units:	<b>23</b>
Planned for Next Month:	<b>25</b>
MSE Program Loan Officers:	<b>175</b>
Planned for Next Month:	<b>185</b>
Portfolio at Risk > 30 days	<b>0.1%</b>

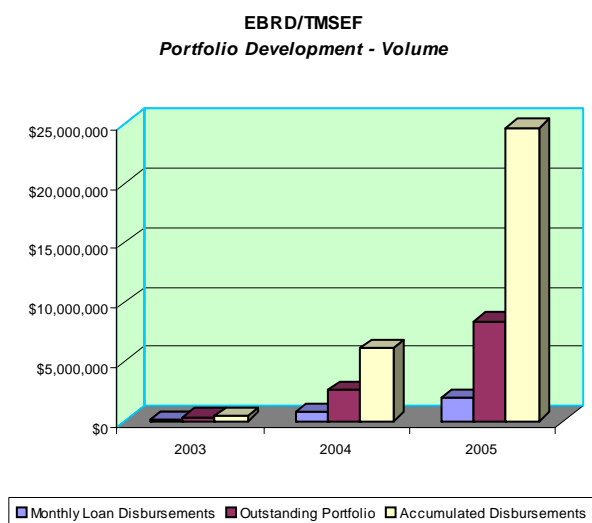
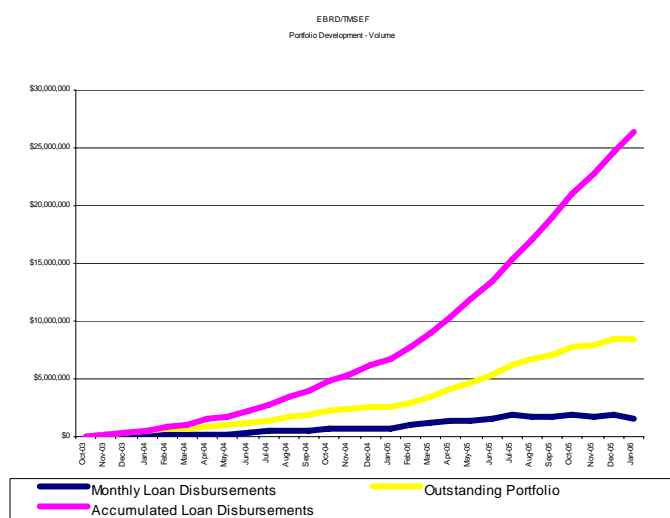
Loans Disbursed in December 2005	<b>Loans Disbursed in January 2006</b>	Cumulated Dis- bursements since October 2003
732 loans	<b>576 loans</b>	9,750 loans
\$1,950,072	<b>\$1,651,663</b>	\$26,306,159
\$2,664 average	<b>\$2,867 average</b>	\$2,698 average

The **TAJIKISTAN MICRO AND SMALL ENTERPRISE FINANCE FACILITY (TMSEF)** is the fourth project of this kind in Central Asia and like the KSBP (Kazakhstan), KMSEF (Kyrgyzstan) and J-USBP (Uzbekistan) it focuses on institution building in selected partner banks and the delivery of sustainable and efficient financing to Micro and Small Enterprises (MSEs).

The Facility started lending operations to MSEs in October 2003. Partner banks fund the initial growth of the loan portfolio out of own resources, while EBRD and its partner organizations in the Facility provide funding for technical assistance. EBRD signed a first loan agreement (USD 1 million) with Bank Eskhata, a second loan agreement (USD 2 million) with Tojiksodirotbank, a third one (USD 2 million) with TajPrombank and a fourth one with Agroinvestbank (USD 2 million). IFC provides co-financing to Bank Eskhata (USD 1 million).

The technical assistance supports Bank Eskhata, Tajiksodirotbank, TajPrombank and Agroinvestbank in establishing MSE lending departments, developing loan products tailored to entrepreneurs' requirements, and in training bank personnel in a cash-flow driven credit technology.

DFID together with USAID and EU have provided and committed the necessary technical assistance funds for EBRD to engage in long-term institution building in the banking sector. Additionally, the Swiss Government through SECO has granted a risk sharing guarantee for EBRD loans to the partner banks. TMSEF will also benefit from TA funds from the EBRD's Early Transition Fund (ETC Fund) from September 2005.



## PLANS FOR FEBRUARY 2006

- Training of loan officers for future lending operations at Agroinvestbank in Vakhdat
- Opening of a lending unit with Agroinvestbank at Korvon basar Dushanbe
- Seminar on Small Business (SME) lending, to be held in Dushanbe by international consultants for experienced loan officers, who will in future concentrate on the SME lending segment

## TMSEF CLIENTS

**R**aupov Khalil is the founder and owner of the sewing workshop "Aziz Co." that has been operating successfully for a period of more than 11 years. From 1985 until 1988, whilst in the former Soviet Union, he learned how to design men's and women's clothes. After his studies he started working as an assistant in one of the largest ateliers in Khujand where he stayed for six years. After having gained experience in the respective atelier, in 1994 Khalil rented premises in the city centre and opened his own business. In the beginning, he had only two sewing machines and worked most of the time by himself. However, as a result of his hard work and talent in design and sewing he gained

the trust of many clients in a very short time. Having saved some money, in 1997 he bought his premises and started to employ some workers. Since then Khalil's shop has experienced remarkable growth: Today the atelier "Aziz Co." has 32 employees, 25 sewing machines and very up-to-date inventory. Khalil takes a great deal of care of his workforce and they enjoy very good working conditions. However, the atelier was only able to accept orders from repeat clients and only to a limited number because he did not have sufficient working capital to expand his business by taking on new clients.

When Khalil heard from TMSEF and its convenient terms he applied for a

credit at "Tojiksodirotbank". In July 2005 he received a loan of USD 3,500 to increase his working capital. With this money he increased the assortment of clothing and thus also extended his client base. In future he plans to build his own shop "Aziz Co." from which he can sell the clothes and other goods. At the moment the construction of his shop is in an advanced stage and Khalil already plans to apply for a new credit in order to finish the construction work.

"I was wondering about the simplicity of the process, the flexible system of collateral and the fast formalization of



the credit without bureaucratic delays. I'm definitely planning to work also in future with the project to further develop my business. Thank you very much to the project that helps micro entrepreneurs with their activities to develop their businesses", says Khalil.